TEACHERS' PENSION PLAN
ONTARIO

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS FALL 2006

Pensions to increase 2.3 per cent in 2007

Your pension will increase 2.3 per cent in January to keep pace with changes in the cost of living.

For a member collecting a typical annual pension of $36,000 a year, the increase means an extra $828 in before-tax income in 2007.

The 2007 inflation adjustment is based on changes in the Consumer Price Index (CPI), a weighted basket of goods and services typically purchased by Canadian households each month.

Annual pension	Increase in 2007
$15,000	$ 345
$20,000	$ 460
$25,000	$ 575
$30,000	$ 690
$35,000	$ 805
$40,000	$ 920
$45,000	$1,035
$50,000	$1,150
$55,000	$1,265

The increase will be prorated for pensioners who left teaching in 2006. For example, if you began receiving your pension in July, you will collect half of the increase, or 1.15 per cent more in 2007.

Watch for a personal statement in late January, detailing the amount of your new monthly pension. In the meantime, consult the chart to see how the adjustment will affect pensioners at different income levels.

For information on how your inflation increase is calculated, see page 3.

An inflation-protected pension enables many members to enjoy hobbies in retirement without financial worries.

Holiday hours

Client Services will be closed Dec. 25–26 and Jan. 1

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Inflation protection: the top 10 questions

1. How is my pension protected?

Every January, your pension is adjusted to keep pace with changes in the cost of living, as measured by the Consumer Price Index (CPI).

2. What does the CPI measure?

The CPI, calculated by Statistics Canada, is the most widely used measure of inflation in Canada. The all-index CPI we use reflects the cost of a weighted basket of 600 consumer items that are typically purchased by Canadian households each month. The basket includes food, shelter, clothing, furniture, transportation, gas, home energy, recreation and many other items. Changes in the cost of the weighted basket represent changes in the CPI.

3. Are annual inflation protection increases guaranteed?

Yes, your pension, which includes inflation protection, cannot be reduced under Ontario's Pension Benefits Act.

4. Is there a limit on annual increases?

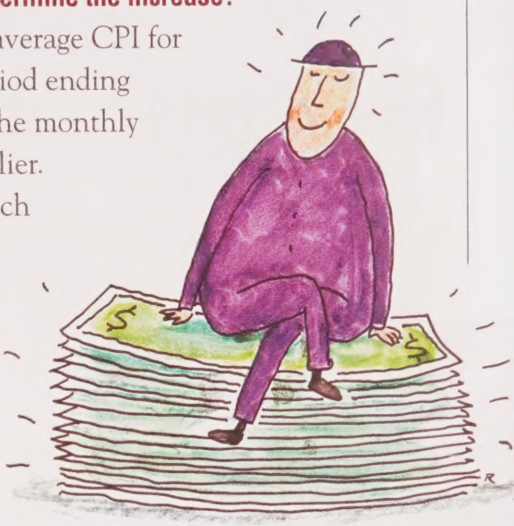
Increases are capped at eight per cent a year. If inflation is greater than eight per cent, the excess amount is carried forward and applied in a year in which inflation is less than eight per cent.

5. What is the average annual increase?

Since inflation protection was introduced in 1976, the annual increase has averaged 4.7 per cent. As you can see below, increases during the past 10 years have been modest because of low inflation rates.

Year	Increase	Year	Increase
2007	2.3%	2002	3.0%
2006	2.2%	2001	2.5%
2005	1.7%	2000	1.5%
2004	3.3%	1999	0.9%
2003	1.6%	1998	1.9%

6. How do you determine the increase?



We compare the average CPI for the 12-month period ending in September to the monthly average a year earlier. This method, which is prescribed in the Teachers' Pension Act, has been in effect since inflation protection was introduced as a plan feature in 1976. The exact amount of your increase will be detailed in a mailing you receive in late January. See page 3, *How we calculate your annual inflation increase*, for more information.

7. Why is the inflation rate reported in the media different?

Your increase seldom matches the rate of inflation reported in the media. Sometimes it will be higher and sometimes it will be lower. That's because the media compares the CPI for the current month to the same month a year earlier. We compare the average monthly CPI for the 12-month period ending in September to the 12-month average a year earlier, effectively smoothing the increases from one year to the next.

The rate reported by the media can be volatile because an economic event in either of the two months involved can significantly affect the number. For example, the temporary shock to energy prices that followed Hurricane Katrina caused the CPI to rise in September 2005. This produced an increase in year-over-year inflation for September 2005 (to 3.4 per cent) and a decrease for September 2006 (to 0.7 per cent).

8. **How do other pension plans calculate increases?**
Only a handful of pension plans in Canada are fully indexed. Some pension plans with indexation, including those serving Ontario government employees, use the same method we do. The Canada Pension Plan (CPP) also uses the same method, but its 12-month period ends in October.

9. **Do different methods result in different annual increases?**
Yes, annual increases can vary from one plan to another. However, over time all fully indexed pension plans generate roughly the same inflation protection, regardless of the method used.

How we calculate your annual inflation increase

Step 1: Calculate inflation factor
We compare the average monthly CPI for 12 months ending in September to the 12-month average a year earlier. We then divide the two averages to get the inflation factor. Here's how the factor was determined for the 2007 adjustment:

129.5 – Average monthly CPI for 12 months ending in Sept. 2006

÷ 126.6 – Average monthly CPI for 12 months ending in Sept. 2005

= 1.023 inflation factor

Step 2: Apply factor to your pension
We apply this factor to your pension. For example, a member who is collecting a $36,000 before-tax pension in 2006 will receive a $828 before-tax increase in 2007, calculated as follows:

Member's pension X inflation factor = New before-tax pension

$36,000 X 1.023 = $36,828

Step 3: Convert factor to percentage
To communicate the size of the increase, we convert the factor to a percentage. Here's how the factor is expressed as a percentage using the 2007 increase as an example.

(2007 inflation factor – 1) X 100 = 2007 percentage increase

(1.023 – 1) X 100 = 2.3 per cent

10. **What is inflation protection worth?**
Inflation protection accounts for about 25 per cent of the total cost of providing your pension. At 2.5 per cent annual inflation, pensions will double over the lifetime of the pensioner. ■

You also can view an audio-visual presentation on inflation, provided you have signed up for *i*Access Web, the secure members-only section of our website. To register, call 416-226-2700 or 1-800-668-0105, or download and complete the form found on our website at www.otpp.com.

10-year pension guarantee provides security

Since 2001, the 10-year pension guarantee has been provided free to single members and as an optional survivor benefit to married members. Under the guarantee, if you die within 10 years of the start of your pension, your survivor will receive your pension (minus the CPP reduction that normally applies at age 65) for the balance of the 10 years. After that time, your spouse, or any dependent children, will collect the survivor pension you selected before you retired. This will be 50 to 75 per cent of your CPP-reduced pension. If your survivor also dies within 10 years, the balance is paid to your survivor's estate.

If you have no survivors and you die within 10 years, any balance remaining on the 10 years of pension payments is paid to your estate in a lump sum. ■

FAST FACTS

$106 billion
Cost of paying future pensions

$3.6 billion
Benefits paid to members in 2005

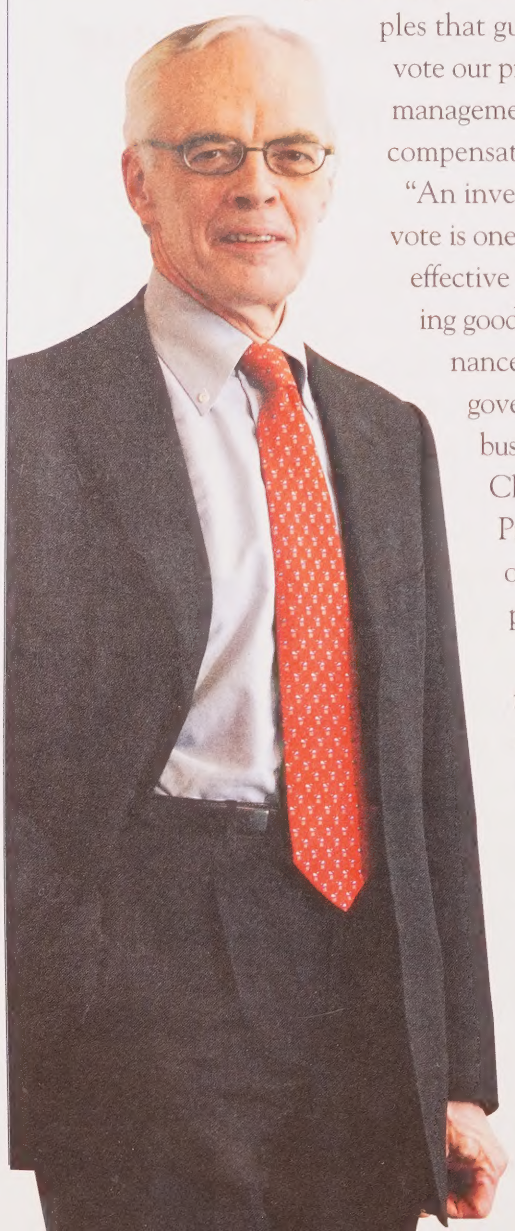
$1.6 billion
Contributions collected in 2005

Part nine of an investment series

Proxy voting encourages better corporate

Your pension plan recently made some noise when a major Canadian company awarded its chairman and CEO more than $50 million in annual compensation.

It wasn't about the size of the compensation package. The problem was the link between compensation and individual and company performance. Ensuring compensation packages support a company's business objectives is just one of the principles that guide how we vote our proxies on management and director compensation issues.



Claude Lamoureux
President and CEO

"An investor's right to vote is one of the most effective tools for promoting good corporate governance. And good governance is good business," said Claude Lamoureux, President and CEO of the Teachers' pension plan.

"In the past five years, we've seen a professional firm of 85,000 employees implode. We've seen executives who knew nothing and remembered nothing. We've seen analysts who acted as cheerleaders, and boards that went along with bad accounting, bad reporting and bad recommendations from compensation consultants."

The pension plan aims to vote every share of every company it owns at every meeting of its shareowners. As a shareholder in more than 1,100 public companies around the world, it's impossible to attend every meeting. A proxy allows votes to be transferred to a third party who can vote on our behalf.

Decisions to vote for or against an issue are made after a thorough independent analysis and a comparison to the fund's proxy voting guidelines. We have 28 guidelines covering issues ranging from board of director independence to buyouts and other purchase transactions.

"We take voting seriously," Claude said. "We vote against management proposals when we feel they don't serve the interests of shareholders."

Voting guidelines cover such issues as the separation of board and management roles, the use of golden parachutes, the need for independent auditors, and the treatment of shareholder rights plans.

"It would be inconsistent with our fiduciary responsibility to vote for any management or shareholder-sponsored initiative that has the potential to diminish shareholder value over the long term," Claude said.

We disclose each proxy voting decision in advance of a company's meeting on the corporate governance section of our website. The intention is to encourage other investors to exercise their rights and to promote transparency of proxy-voting activities.

"We want the companies we invest in to be transparent," Claude said. "We should do the same." ■

performance

Shareholder responsibilities

The pension plan believes shareholders should follow these principles when voting shares:

- ✗ A shareholder's right to information should not detract from a company's ability to compete in the marketplace
- ✗ A company should not be managed by shareholder referendum
- ✗ Shareholder influence should lead to actions that are in the best long-term economic interests of all shareholders

Our proxy voting report

Own shares in
1,100
public companies

Own, on average,
2%
of each public company in Canada

Voted proxies at
592
meetings in 2005

Voted on
3,002
proposals in 2005

Voted in favour of proposals
74%
of the time

You Asked Us

Q *I taught after I retired in 2003. How many days can I work this year without affecting my pension?*

A You can work for up to 95 days in each of the first three school years in which you return to work. After that, you can work for up to 20 days in each school year without affecting your pension. The first three school years:

- include school years before Sept. 1, 2001;
- exclude school years during a temporary window, which allowed for extended work in education, from Sept. 1, 2001, to Aug. 31, 2006; and
- include school years after Aug. 31, 2006.

Since you taught only during the temporary window, you may work for up to 95 days during this and the next two school years in which you return to teach. After that, the 20-day limit applies.

Q *Can my spouse receive part of my pension so I don't pay as much tax?*

A No, we can split a pension with a spouse only if required to do so under a separation agreement or court order dealing with the breakdown of a marriage. The Income Tax Act and Ontario's Pension Benefits Act prohibit pension income splitting for any other reason. However, the federal government is considering proposals to allow people to split pensions in the future and we will notify you if the rules change.

Splitting income may result in tax savings if your spouse's marginal tax rate is lower than yours. The Canada Pension Plan (CPP) is governed by different legislation that allows for the sharing of pension benefits. For more information on income splitting, contact an accountant. For information on CPP benefits, contact CPP directly at 1-800-277-9914. ■

Chance meeting in gallery leads to $40,000 refund

A casual conversation in a little art gallery in Portugal led to a $40,000 refund for a former Ontario teacher.

The former member, who moved to Portugal years ago, met President and CEO Claude Lamoureux when he and his wife popped into her gallery while vacationing in Europe. When their conversation shifted from art to Canada, Claude learned the artist and gallery owner had worked as a teacher in Ontario.

"I asked her what she did with her pension. 'What pension?' she asked. I said: 'You have pension benefits if you worked as a teacher.'"

Claude, an actuary by profession, did a quick mental calculation to estimate how much her investment would be worth today.

"She asked how I knew so much. I gave her my business card and said to write if she wanted us to look into it."

The member followed Claude's advice and ended up with $40,000, representing the contributions she had made to the plan years before, plus interest.

"That's a great story, but you don't need to stumble across the CEO in Europe to get your money back," quipped Rosemarie McClean, Senior Vice-President, Member Services.

"We're working hard to track down thousands of members who forgot to collect their termination payments when they left teaching, sometimes decades ago."

Since 2004 when the plan began a concentrated effort to settle inactive accounts, it has paid $3.4 million in termination benefits to 8,500 people. Refunds have ranged from $15 to $55,000, with an average payment of $400.

"Next year, we hope to find and pay 5,000 more people who appear to have forgotten about their benefits. You wouldn't think it would be hard to hand out money, but locating people is a challenge," Rosemarie said.

If you know of former teachers who may have forgotten about their pension benefits when they permanently left the teaching profession, please have them call us at 416-226-2700 or 1-800-668-0105.

Most retired teachers outlive average Canadian

Retired teachers usually live a few years longer than the average Canadian, with a life expectancy of about 87 years for females and 85.5 for males.

Canada's life expectancy rate ranks 11th in the world, about four years behind Andorra, the country with the highest rates.

When looking at the chart, remember that life expectancy tables are based on averages. Your family history, general health, lifestyle and other factors are a better indicator of your likely lifespan.

Age	Life Expectancy		Age	Life Expectancy	
	Male	Female		Male	Female
52	85.3	86.8	76	88.3	89.6
54	85.3	86.8	78	89.0	90.2
56	85.3	86.8	80	89.8	90.8
58	85.3	86.9	82	90.7	91.6
60	85.4	87.0	84	91.7	92.4
62	85.5	87.2	86	92.7	93.3
64	85.7	87.4	88	93.9	94.4
66	86.0	87.6	90	95.1	95.5
68	86.3	87.9	92	96.5	96.8
70	86.8	88.3	94	97.9	98.1
72	87.2	88.7	96	99.5	99.6
74	87.7	89.1	98	101.1	101.1

Current address needed for T4As

Will you be moving soon? We need your current mailing address to deliver your T4A and direct deposit notice next year.

If you are registered for *i*Access Web, the secure members-only section of our website, you can change your address and retrieve a duplicate copy of your T4A online. Log on to our website at www.otpp.com and click the Member Sign In button on the home page.

If you aren't registered, consider signing up, or notify us of your new address by phone, fax, mail or e-mail (inquiry@otpp.com). To make the change, we require your old address.

You should receive notice of your 2007 inflation increase by late January and your T4A by early February.

Same-sex survivor benefits now provided retroactively

Retired members can now retroactively select survivor benefits for their same-sex spouses in two situations.

The Ontario Teachers' Federation (OTF) and the Ontario government have amended the pension plan to allow:

- a member or survivor of a deceased member to retroactively select a 50 per cent survivor pension if the member missed an earlier Dec. 31, 2000, deadline to choose the benefit for his or her common-law spouse
- a member to provide survivor benefits to a same-sex partner he or she married between June 10, 2003, and June 13, 2005

Missed Dec. 31, 2000, deadline

To qualify to select the 50 per cent survivor benefit, the member must have:

- started receiving a pension as of April 23, 1998;
- had a same-sex common-law spouse when he or she began receiving a pension; and
- had no other eligible survivor at that time.

April 23, 1998, is when a court allowed for the payment of same-sex survivor benefits under the Income Tax Act. Same-sex common-law spouses have qualified for survivor benefits since that time.

To be eligible, the same-sex partner must have lived with the member in a conjugal relationship for at least three continuous years when the member began receiving a pension.

If the member began collecting a pension before January 1988, different rules may govern the definition of spouse. Contact us for details.

The 50 per cent survivor benefit is provided at no cost to the member or survivor. If the member has died, the same-sex partner can apply for the benefit.

Married same-sex partner

Contact us for information on your survivor benefit options if you married your same-sex partner between June 10, 2003, and June 12, 2005. June 10, 2003, is when the Ontario Court of Appeal allowed same-sex marriages in Ontario for the first time. The pension plan was recently amended to recognize same-sex marriages from that date forward.

Pension pay dates

Mark these dates on your calendar. Pensions are deposited on the last business day of every month. If you change bank accounts, let us know early in the month of the change and keep your old account open until your pension has been deposited in your new account.

Month	Deposit
November	Thurs., Nov. 30
December	Fri., Dec. 29
January	Wed., Jan. 31
February	Wed., Feb. 28
March	Fri., March 30
April	Mon., April 30
May	Thurs., May 31
June	Fri., June 29
July	Tues., July 31
August	Fri., Aug. 31
September	Fri., Sept. 28
October	Wed., Oct. 31
November	Fri., Nov. 30
December	Mon., Dec. 31

Pension News

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We appreciate your comments about anything you read in *Pension News*. Please contact Debra Hanna at 416-730-5351 or 1-877-812-7989 or e-mail: debra_hanna@otpp.com

Ce bulletin est disponible également en français.

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Bertram wins lifetime investment achievement award

Bob Bertram has been honoured for demonstrating leadership, innovation and superior results in the management of pension plan assets.


Bob Bertram

The Executive Vice-President of Investments for the Teachers' pension plan won the inaugural lifetime investment achievement award from *Benefits Canada* magazine in September.

"He has changed the way Canada thinks about pension investments," said *Benefits Canada* editor Don Bisch.

"Under his leadership, Teachers' has been the top-performing Canadian pension fund every year since it became an independent corporation in 1990."

"He shifted from a fund of non-marketable, non-assignable provincial debentures into the most successful and innovative pension plan investment fund in the country and, in fact, one of the world's best," Don said.

He also broke new ground in how pension funds invest, introducing numerous alternative investment classes to the pension fund milieu, including derivatives, hedge funds and income trusts.

"Perhaps most important, he introduced the concept of in-house investing to the pension industry," Don said.

During Bob's 16-year career at the Teachers' pension plan, plan assets have grown to $96 billion from $18 billion.

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